

AR23

Lornex

Annual
Report
1984



The Corporation

The Corporation produces copper and molybdenum in concentrates and silver as a by-product from its open pit mine and mill located in the Highland Valley area of British Columbia. It has a 39% joint venture interest in the Bullmoose metallurgical coal mine in northeastern British Columbia. Exploration is conducted primarily in western Canada.

The Annual General Meeting

10:00 a.m., Thursday, April 18,
1985, in the Garibaldi Room,
The Four Seasons Hotel,
791 West Georgia Street,
Vancouver, B.C.

Cover:

Large mining equipment is dwarfed by the immensity of the Lornex open pit mine.

Directors' Report
to the Shareholders



George R. Albino
Chairman and
Chief Executive Officer

The Corporation incurred a net loss of \$3.3 million for the year (\$0.39 per common share), compared to net earnings of \$2.7 million (\$0.32 per common share) in 1983. The financial results include, on a proportionate consolidation basis, Lornex's 39% joint venture interest in the Bullmoose metallurgical coal mine. No dividends were paid in 1984 or 1983.

Earnings and Financial Position

Net revenue from mine production was \$195.7 million in 1984 compared to \$148.5 million in the previous year. The increase is attributable to the addition of revenue from the Bullmoose mine which commenced operations January 1, 1984.

The deterioration in net earnings was mainly due to lower revenue from copper and silver because of substantially lower metal prices partly offset by net earnings of \$3.8 million from Bullmoose.

The Canadian dollar gross revenue price realized per payable pound of copper averaged \$0.79 in 1984 compared to \$0.90 in 1983 and molybdenum averaged \$4.40 per pound in 1984 compared to \$4.18 in the previous year. Silver averaged \$9.35 per ounce in 1984 and \$14.10 in 1983. The 1982 average prices were \$0.81 for copper, \$4.28 for molybdenum and \$8.74 for silver.

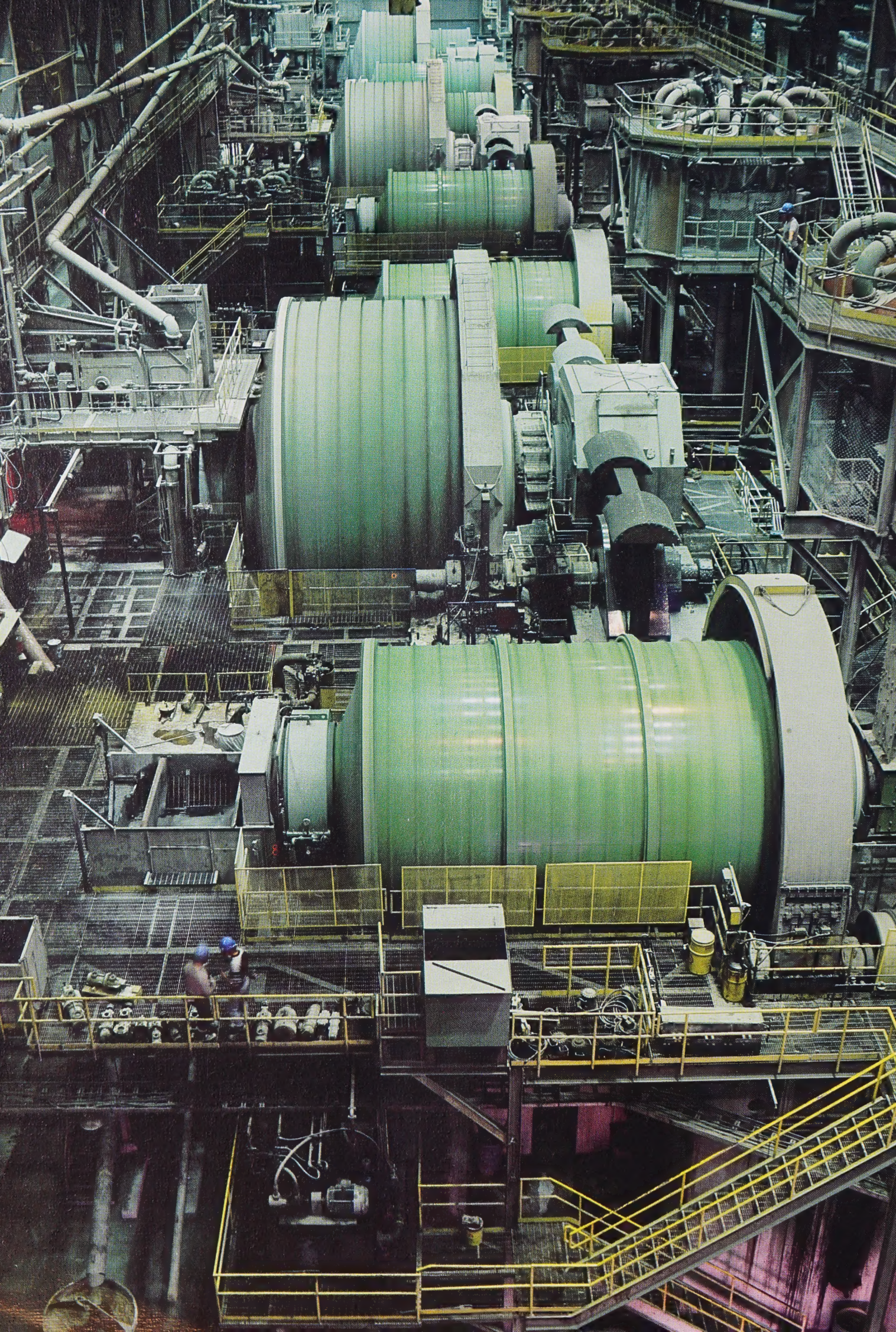
Working capital increased from \$36.7 million to \$52.3 million. Capital expenditures in 1984 were \$3.3 million compared to \$72.7 million in the previous year. Capital expenditures in 1983 were almost entirely for Bullmoose facilities. At the end of 1984 bank loans totalled \$111.8 million, of which \$106.3 million relates to Bullmoose, including \$65.0 million borrowed under the limited recourse loan agreement.

Lornex Mine

Comparative operating data for the Lornex copper-molybdenum mine are as follows:

	1984	1983
Tons of ore milled (000's)	31,044	31,710
Average tons milled per operating day	84,821	86,877
Average mill head grade (%)		
— Copper	0.356	0.337
— Molybdenum	0.017	0.016
Average mill recovery (%)		
— Copper	87.3	88.2
— Molybdenum	70.1	73.5
Payable metal in concentrate produced (000's)		
— Copper (pounds)	186,210	181,682
— Molybdenum (pounds)	7,448	7,506
— Silver (ounces)	726	710
Payable metal in concentrate delivered (000's)		
— Copper (pounds)	165,399	186,031
— Molybdenum (pounds)	6,796	6,103

Tons of ore milled were 2% lower than in 1983 because of the shut down of the largest of the three autogenous mills early in 1984 to change a ring gear. Copper production was, however, 2.5% higher in 1984 compared to the previous year due to a slight improvement in mill head grade. Production of molybdenum was virtually the same in both years.



The ore and waste removed from the mine in 1984 totalled 86.4 million tons, an increase of 5% from the previous year. This increase was comprised of mostly waste material which had not been removed under the mining plan adopted in 1982.

Efforts to reduce costs and to improve efficiencies and productivity were continued in 1984. Important reductions in mining costs were realized through the installation of a new computer-assisted haulage truck dispatch system; modifications which increased diesel engine efficiency of a major portion of the 170-ton truck fleet; the conversion of light vehicles to utilize compressed natural gas in place of gasoline; as well as revisions in tailings dam construction methods and in the waste disposal system. The higher copper content in concentrates produced from the copper regrind circuit, brought into production in December 1983, resulted in expected net savings in freight and treatment charges. Modifications to the molybdenum leach facility increased productivity of that plant and installation of a new type of flotation equipment in the concentrator has reduced consumption of reagents.

Despite cost escalation in key areas the actions which have been taken have been effective. The unit cost to remove a ton of material from the mine decreased by 6% from the previous year. There was a small increase in the average operating cost per ton of ore milled in 1984, largely attributable to the lower volume of ore milled as a result of the ring gear change.

The work force at the mine was reduced from 941 employees at December 31, 1983 to 877 at the end of 1984. A new collective agreement was reached at mid-year with the Corporation's unionized employees which provides for the continuation of existing wage schedules to the expiry date of June 30, 1986. In view of continued depressed metal prices a proposal was made to the union to reduce wage rates; this proposal was not accepted.

The current safety program implemented in 1982 has achieved excellent results. As a result of the concerted efforts of all personnel the 1984 accident frequency rate decreased by 36% compared to the previous year.

Proven ore reserves at December 31, 1984 are estimated to be 385 million tons with an average grade of 0.375% copper and 0.013% molybdenum.

Slightly more than one-half of the annual production of copper concentrates has been sold to a group of Japanese companies under a contract for delivery of a fixed quantity of concentrates per year until the end of 1989. A second sales contract provides for the delivery of a fixed quantity of concentrates per year until the end of 1985. To the extent that production exceeds deliveries under these contracts during 1985 it is expected that most of it will be sold for delivery in that year.

Portions of the molybdenum in concentrates scheduled to be produced in 1985 have been contracted for with buyers on pricing formulae related to published dealer prices for molybdc oxide. A larger portion of the 1985 production of molybdenum in concentrates will be converted to molybdc oxide under toll conversion agreements and the product sold to the steel industry through a sales agent.

Grinding section of Lornex mill where some 85,000 tons of ore per day are ground before further treatment to extract copper and molybdenum.



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Bullmoose Mine

The Bullmoose coal mine, owned by Lornex (39%), Teck Corporation (51%) and Nissho Iwai Coal Development (Canada) Ltd. (10%), commenced operations January 1, 1984, and, after an efficient start up, has operated well. Lornex's share of the year's production was approximately 666,000 tonnes (734,000 short tons) of metallurgical coal and 26,000 tonnes (29,000 short tons) of thermal coal and its share of deliveries totalled 695,000 tonnes of metallurgical coal and 23,000 tonnes of thermal coal. The operating cost per tonne of clean coal produced was slightly lower than expected.

In October the Bullmoose owners agreed to reduce the contract price for metallurgical coal by \$10 per tonne for a two year period ending March 31, 1986. Agreement was also reached for additional coal sales which will virtually offset the impact of the price reduction on the Bullmoose earnings.

Exploration

A total of \$632,000 was expended on exploration during the year. Of some 90 mineral properties submitted to the Corporation for consideration more than half were precious metal targets in British Columbia and about one third were United States projects. Drilling was conducted on two British Columbia properties and additional work is planned on one of these in 1985.

Exploration activities will continue to be focused on gold and polymetallic deposits containing zinc, lead, copper, silver and gold. The strategy of attempting to acquire projects at an advanced exploration or development stage will be continued.

Outlook

The profitability of Lornex will be dependent primarily on the price of copper, and to a lesser extent, on the prices for molybdenum and silver. All costs will continue to be closely monitored and every available measure will be taken to further reduce costs and to improve productivity.

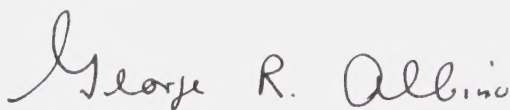
In 1984 the commencement of operations of the Bullmoose coal mine provided another source of earnings for Lornex. It is expected that it will continue to make a meaningful contribution to earnings in the future.

Appreciation

Mr. John Van Netten, who has served as a Director of the Corporation since April 1977 and as Treasurer of the Corporation for fifteen years, retired on December 31, 1984. His colleagues wish to recognize his contribution to the Corporation.

The Directors wish to acknowledge with sincere appreciation the continued efforts and dedication of all Lornex people during another difficult year.

On behalf of the Board of Directors



George R. Albino,
Chairman and
Chief Executive Officer

Vancouver, B.C.
February 20, 1985

First shipment of Bullmoose coal is loaded into the mammoth hold of the Shoryu Maru for delivery to Japan.

The principal accounting policies followed by Lornex Mining Corporation Ltd. are in accordance with generally accepted accounting practice in the Canadian mining industry and are summarized hereunder.

Investment in Joint Venture

The financial statements include the Corporation's proportionate 39% interest in the Bullmoose mine, an unincorporated joint venture.

Revenue from Mine Production and Valuation of Inventories and Concentrates Awaiting Shipment

Production of copper, molybdenum and other metals in concentrates is valued and taken into income as revenue from mine production at estimated realizable metal prices less provision for possible fluctuation in price. Adjustments are made to revenue from mine production with respect to concentrate shipments when the actual metal price is known and the final weight and assay adjustments are determined. Estimated smelting, refining and marketing charges are accrued at time of production and these charges are also adjusted with respect to shipments when the final weight and assay adjustments and marketing charges are determined.

At December 31, 1984 inventories of 33.8 million payable pounds of copper and 5.0 million payable pounds of molybdenum contained in concentrates awaiting shipment were valued as described above.

Coal inventories are valued at estimated realizable value.

Mine Supplies

Mine supplies are valued at average cost.

Depreciation and Amortization

Depreciation is provided on mining equipment on a straight-line basis over the shorter of its physical life or the estimated life of the mine. The cost of plant and equipment, mining properties and preproduction expenditures is amortized on a unit-of-production basis over the estimated life of the mine.

Capitalization of Interest

The Corporation follows the policy of capitalizing net interest costs during construction or development only on those projects for which funds have been borrowed; this would normally apply only to such major new projects from beginning of construction or development up to the commencement of commercial operations. In these cases interest earned on borrowed funds during the development and construction period is applied against the interest expense to reduce the amount of interest costs capitalized. Such net interest costs are capitalized because it is considered that they would not have been incurred if the project had not been undertaken and therefore are properly part of the capital cost of the total project.

Mineral Exploration and Development Costs

Exploration costs are written off as incurred. Expenditures on development projects are capitalized while the projects are considered to be of value to the Corporation.

Income and Mining Taxes

The Corporation provides for deferred income and mining taxes on all significant timing differences which represent the tax effects of revenue and expense items reported for tax purposes in periods different than for accounting purposes. Investment tax credits claimed for federal income tax purposes are treated as an adjustment of the current year's income tax provision.

Statement of Earnings and Retained Earnings

(Thousands of dollars)

Lornex Mining Corporation Ltd.
(Incorporated under
the laws of British Columbia)

Year Ended December 31	1984	1983
Revenue:		
Net revenue from mine production	\$195,725	\$148,506
Investment and other income	1,423	1,223
	<u>197,148</u>	<u>149,729</u>
Expenses:		
Operating costs	149,086	111,391
Administrative and general	14,809	10,590
Amortization and depreciation	25,596	20,533
Exploration	632	435
Interest on long term debt	13,919	502
	<u>204,042</u>	<u>143,451</u>
Earnings (loss) before taxes	(6,894)	6,278
Income and mining taxes (note 7):		
Current	(2,590)	2,700
Deferred	(1,040)	895
	<u>(3,630)</u>	<u>3,595</u>
Net earnings (loss) for the year	(3,264)	2,683
Retained earnings, beginning of year	161,697	159,014
Retained earnings, end of year	\$158,433	\$161,697
Net earnings (loss) per share	\$ (0.39)	\$ 0.32

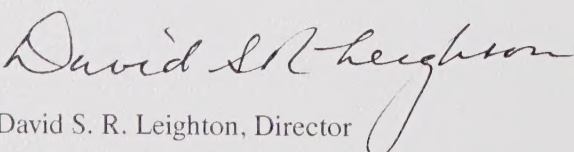
Balance Sheet


(Thousands of dollars)

Lornex Mining Corporation Ltd.

December 31	1984	1983
Assets		
Current:		
Cash and short term deposits	\$ 12,189	\$ 22,318
Receivables and prepaid expenses	10,553	5,373
Income and mining taxes recoverable	7,430	—
Inventories and concentrates awaiting shipment	40,797	29,898
Mine supplies	17,570	16,268
	88,539	73,857
Plant and equipment (note 2)	246,515	200,420
Mining properties and preproduction expenditures (note 3)	73,133	37,606
Construction in progress, at cost	—	103,902
Deposits and long term receivables, at cost	4,070	4,171
	\$412,257	\$419,956
Liabilities		
Current:		
Bank loans	\$ 5,500	\$ —
Accounts payable and accrued liabilities	28,136	28,703
Income and mining taxes	—	8,405
Current portion of Bullmoose bank loans (note 4)	2,613	—
	36,249	37,108
Bullmoose bank loans (note 4)	103,689	106,302
Housing loans (interest 8¾% to 13%)	2,925	2,848
Deferred income and mining taxes	99,375	100,415
	242,238	246,673
Shareholders' Equity		
Capital Stock (note 5):		
Authorized —		
9,500,000 common shares, par value of \$1 each		
4,500,000 Class A shares, par value of \$1 each		
Issued —		
8,268,762 common shares	8,269	8,269
Premium less discount on shares issued for cash	3,317	3,317
Retained earnings	158,433	161,697
	170,019	173,283
	\$412,257	\$419,956

Approved on behalf of the Board:


David S. R. Leighton, Director


George R. Albino, Director

Statement of Changes in Financial Position

(Thousands of dollars)

Lornex Mining Corporation Ltd.

Year Ended December 31

1984

1983

Source of Funds:

Operations

Net earnings (loss) for the year	\$ (3,264)	\$ 2,683
Add charges against earnings not involving current outlay of funds:		
Amortization and depreciation	25,596	20,533
Deferred income and mining taxes	(1,040)	895
Total funds from operations	21,292	24,111
Bullmoose bank loans	—	71,502
Housing loans	77	1,887
Reduction in deposits and long term receivables (net)	101	952
	21,470	98,452

Disposition of Funds:

Plant and equipment (net)	3,316	3,563
Construction in progress	—	69,097
Current portion of Bullmoose bank loans	2,613	—
	5,929	72,660
Increase in Working Capital	15,541	25,792
Working Capital, beginning of year	36,749	10,957
Working Capital, end of year	\$ 52,290	\$ 36,749

Auditors' Report to the Shareholders

We have examined the balance sheet of Lornex Mining Corporation Ltd. as at December 31, 1984, and the statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Chartered Accountants

Vancouver, British Columbia
January 25, 1985.

Notes to the Financial Statements

Lornex Mining Corporation Ltd.

December 31, 1984

1 Accounting Policies

The information on page 6 presents a summary of the principal accounting policies and is an integral part of these financial statements.

2 Plant and Equipment

	1984	1983
	(in thousands)	
Plant and equipment, at cost	\$365,531	\$298,700
Less accumulated depreciation . .	119,016	98,280
Total	\$246,515	\$200,420

3 Mining Properties and Preproduction Expenditures

	1984	1983
	(in thousands)	
Mining properties, at cost	\$ 1,233	\$ 1,233
Less accumulated amortization . .	542	495
	691	738
Preproduction expenditures,		
at cost	97,726	57,852
Less accumulated amortization . .	25,284	20,984
	72,442	36,868
Total	\$ 73,133	\$ 37,606

4 Bullmoose Bank Loans

	1984	1983
	(in thousands)	
Recourse loans	\$ 41,302	\$ 41,302
Less portion included in current liabilities	663	—
	40,639	41,302
Limited recourse loans	65,000	65,000
Less portion included in current liabilities	1,950	—
	63,050	65,000
	\$103,689	\$106,302

The loans are repayable in increasing semi-annual instalments commencing July, 1985 and continuing through July, 1992 on the recourse loans and January, 1995 on the limited recourse loans. Minimum loan repayments scheduled over the next five years are \$2,613,000 in 1985, \$6,552,000 in 1986, \$9,522,500 in 1987, \$8,846,500 in 1988 and \$10,491,000 in 1989. The limited recourse and recourse loans are secured by a first charge on the Corporation's 39% interest in the assets of the Bullmoose mine.

Both loans are available at variable interest rates by way of Canadian and/or U.S. dollar loans and bankers' acceptances. The average interest rates at December 31, 1984 were 11.4% on the limited recourse loans and 10.9% on the recourse loans.

5 Capital Stock

At December 31, 1984, 30,000 common shares were reserved for issue under a Stock Option Plan for which no exercisable options are outstanding.

6 Commitments and Contingent Liabilities

(a) As provided for in certain agreements and contracts, the Corporation has assumed minimum annual operating and payment commitments for port, rail and hydro facilities to the extent of its 39% interest in the Bullmoose mine.

Loan guarantees, secured by a \$13 million debenture, have been provided to the District of Tumbler Ridge by the co-owners of the Bullmoose mine. The debenture is secured by a subordinated floating charge on the assets of the mine. The Corporation's obligations under the debenture are limited to its 39% interest in the Bullmoose mine.

(b) The Corporation has a contingent liability to buy back houses and mobile home lots at the Logan Lake townsite for \$2,060,000 as at December 31, 1984; the cost of the buyback declines by 5% per annum.

(c) The Corporation has guaranteed mortgages, amounting to \$4,892,893 at December 31, 1984, on certain housing in Logan Lake.

7 Income Taxes

(a) A reconciliation of the 1984 statutory income tax rate and the effective rate of income and mining taxes is as follows:

Statutory income tax rate	52.0%
Increase (decrease) resulting from:	
Provincial resource taxes and royalty net of resource and depletion allowances	4.6
Inventory allowance	5.2
Non-allowable expenses*	(9.1)
Effective rate of income and mining taxes	52.7%

* Non-allowable expenses principally relate to amortization of capitalized interest and of prior periods' investment tax credits claimed.

(b) The Corporation has accumulated capital losses for tax purposes of \$4.2 million which will be available to apply against future taxable capital gains. No recognition has been given in these financial statements to the potential future tax benefit which may result from the application of these losses.

(c) In addition, \$10.1 million of investment tax credit carry forwards are available to reduce future years' taxes otherwise payable and, if unused, will expire between the years 1985 and 1990. No recognition has been given in these financial statements to the potential future tax benefit which may result from the application of these investment tax credits.

8 Related Party Transactions

- (a) Rio Algom Limited supervises and manages the business of the Corporation. The 1984 management fee was at the minimum agreed level of \$250,000 (1983 — \$250,000); the fee for future years is to be escalated from a base of \$1,000,000 in 1980 in accordance with a formula based on published government indices and is subject to a minimum of \$250,000 and a maximum based on a percentage of the earnings before taxes.
- (b) A shareholder, Teck Corporation, 51% owner and manager of the Bullmoose mine, received from the Corporation a management fee of \$405,000 in 1984 (1983 — \$455,000).

9 Segment Information

The Corporation has only one operating segment, mining and milling of copper-molybdenum ore and joint venture interest in mining and treatment of metallurgical coal. Virtually the entire net revenue from mine production relates to export sales.

10 Investment in Bullmoose Mine

The following amounts are included in the financial statements and represent the Corporation's proportionate share of the assets, liabilities, revenue and net earnings of the Bullmoose mine:

	December 31,	
	1984	1983
	(in thousands)	
Assets		
Current	\$ 14,747	\$ 15,933
Construction in progress	—	103,902
Property, plant and equipment	99,340	—
Long term receivables	1,056	—
	\$115,143	\$119,835
Liabilities and Equity		
Current liabilities	\$ 3,842	\$ 6,820
Housing loans	2,006	1,898
Equity	109,295	111,117
	\$115,143	\$119,835
	Year Ended December 31,	
	1984	1983
	(in thousands)	
Net revenue		
from mine production	\$ 62,771	\$ *
Net earnings	\$ 3,846	\$ *

*Mine commenced production January 1, 1984

Five Year Review

	1984 ⁽ⁱⁱ⁾	1983	1982	1981 ⁽ⁱ⁾	1980
Earnings: (thousands of dollars)					
Net revenue from mine production	\$195,725	\$148,506	\$126,893	\$150,929	\$173,738
Investment and other income	1,423	1,223	—	3,358	12,355
	197,148	149,729	126,893	154,287	186,093
Operating costs	149,086	111,391	111,386	87,274	58,770
Administrative and general	14,809	10,590	11,575	9,946	8,465
Amortization and depreciation	25,596	20,533	20,816	15,370	9,865
Exploration	632	435	714	590	—
Interest	13,919	502	2,087	259	110
	204,042	143,451	146,578	113,439	77,210
Earnings (loss) before taxes	(6,894)	6,278	(19,685)	40,848	108,883
Income and mining taxes	(3,630)	3,595	(8,545)	17,600	43,770
Net earnings (loss)	\$ (3,264)	\$ 2,683	\$ (11,140)	\$ 23,248	\$ 65,113

Production Data: (thousands except per operating day data)

Tons of ore milled	31,044	31,710	30,692	22,861	17,678
Per operating day	84,821	86,877	84,086	62,634	48,302
Copper in concentrate (pounds)	186,210	181,682	194,582	164,730	126,346
Molybdenum in concentrate (pounds)	7,448	7,506	6,347	4,790	4,813
Silver (ounces)	726	710	739	590	507

Financial Data: (thousands except per share data)

Per share of common stock					
Net earnings (loss)	\$ (0.39)	\$ 0.32	\$ (1.35)	\$ 2.81	\$ 7.87
Dividends	\$ —	\$ —	\$ —	\$ 2.00	\$ 4.00
Equity	\$ 20.56	\$ 20.96	\$ 20.63	\$ 21.98	\$ 21.17
Long term debt and housing loans	\$106,614	\$109,150	\$ 35,761	\$ 1,014	\$ 1,050
Shareholders' equity	\$170,019	\$173,283	\$170,600	\$181,740	\$175,030
Common shares outstanding	8,269	8,269	8,269	8,269	8,269
Capital expenditures	\$ 3,316	\$ 72,660	\$ 41,579	\$ 57,119	\$ 95,833

Notes:
(i) The expanded Lornex facilities commenced operations in August, 1981.
(ii) The financial results include, on a proportionate consolidation basis, Lornex's 39% joint venture interest in the Bullmoose metallurgical coal mine, which commenced operations on January 1, 1984.

Lornex Mining Corporation Ltd.

Directors

George R. Albino,
Mississauga, Ontario

Ray W. Ballmer,
Toronto, Ontario

Thomas A. Buell,
Vancouver, B.C.

Akira Fujisaki,
Tokyo, Japan

Robert E. Hallbauer,
West Vancouver, B.C.

Lorne H. Hunter,
North Delta, B.C.

Norman B. Keevil, Jr.,
Vancouver, B.C.

David S. R. Leighton,
Canmore, Alberta

Alan F. Lowell,
Etobicoke, Ontario

Herbert A. Pakrul,
Mississauga, Ontario

John H. Spicer,
Kelowna, B.C.

David A. Thompson,
West Vancouver, B.C.

Honorary Director
Egil H. Lorntzen,
Vancouver, B.C.

Officers

George R. Albino,
*Chairman and
Chief Executive Officer*

Ray W. Ballmer,
*President and
Chief Operating Officer*

Lorne H. Hunter,
Vice-President

John G. Hood,
Treasurer

C. William M. Burge,
Secretary

Mine Management
Douglas E. Guild,
General Manager

James McManus,
Operations Manager

H. James Anderson,
*Administration Manager
and Controller*

Exploration
David R. Budinski
Manager

Head Office
P.O. Box 10335,
Stock Exchange Tower,
1650-609 Granville Street,
Vancouver, B.C.
V7Y 1G5

Mine Office
P.O. Box 1500,
Logan Lake, B.C.
V0K 1W0

Auditors
Coopers & Lybrand,
Vancouver, B.C.

Registrar and Transfer Agent
The National Victoria &
Grey Trust Company,
Vancouver, B.C.

**Shares Listed
(Symbol LMN)**
Vancouver Stock Exchange

Lornex

Lornex Mining Corporation Ltd.

(Incorporated under the laws of British Columbia)

P.O. Box 10335,
Stock Exchange Tower,
1650-609 Granville Street,
Vancouver, British Columbia
V7Y 1G5

Notice of Annual General Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Lornex Mining Corporation Ltd. (the "Corporation") will be held in the Garibaldi Room at The Four Seasons Hotel, 791 West Georgia Street, Vancouver, British Columbia on Thursday, April 18, 1985 at the hour of 10:00 o'clock in the forenoon:

1. to receive the annual report of the Corporation for the year ended December 31, 1984;
2. to elect directors for the ensuing year;
3. to appoint auditors for the ensuing year and to authorize the directors to fix the remuneration of the auditors;
4. to transact such other business as may properly come before the meeting.

The holders of the common shares of the Corporation are entitled to attend and vote at the meeting, either in person or by proxy, in accordance with the provisions of the Company Act (British Columbia). If you are unable to attend the meeting in person, please complete, date and sign the enclosed form of proxy and return it in the addressed envelope provided for that purpose. All proxies to be used at the meeting must be delivered to the office of The National Victoria & Grey Trust Company, 900 Park Place Tower, 666 Burrard Street, Vancouver, British Columbia V6C 9Z9, by 10:00 o'clock in the forenoon (Vancouver time) on Wednesday, April 17, 1985. Proxies not so delivered will not be voted at the meeting.

A copy of the annual report of the Corporation for the year ended December 31, 1984 is enclosed.

By Order of the Board of Directors

C. William M. Burge
Secretary

Vancouver, B.C.
March 4, 1985

Lornex Mining Corporation Ltd.

(Incorporated under the laws of British Columbia)

P.O. Box 10335,
Stock Exchange Tower,
1650-609 Granville Street,
Vancouver, British Columbia
V7Y 1G5

Information Circular

All dollar amounts in this Information Circular refer to Canadian dollars, unless otherwise indicated.

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation by the management of Lornex Mining Corporation Ltd. ("Lornex" or the "Corporation") of proxies to be voted at the Annual General Meeting of the Shareholders of the Corporation (the "Meeting") to be held on Thursday, April 18, 1985 for the purposes set forth in the accompanying notice of the Meeting. The cost of this solicitation will be borne by the Corporation. In addition to the solicitation by mail, certain officers and employees of the Corporation may solicit proxies by telephone, telex or personally. These persons will receive no compensation other than their regular salaries.

Voting Rights and Principal Shareholders

As at February 20, 1985 there were outstanding 8,268,762 common shares of the Corporation with a par value of \$1.00 each.

Each holder of record of common shares as at the close of business on April 17, 1985, being the day prior to the Meeting, will be entitled to as many votes at the Meeting as he holds common shares in the capital of the Corporation. Any shareholder desiring to be represented at the Meeting by proxy must deliver his executed form of proxy at the office of The National Victoria & Grey Trust Company, 900 Park Place Tower, 666 Burrard Street, Vancouver, British Columbia V6C 9Z9, by 10:00 o'clock in the forenoon (Vancouver time) on Wednesday, April 17, 1985.

To the knowledge of the Directors and Senior Officers of the Corporation the only persons or corporations, beneficially owning, directly or indirectly, more than 10% of the shares of the Corporation are as follows:

	Common Shares beneficially owned as at February 20, 1985	
	Number	Percentage
Rio Algom Limited Toronto, Ontario. ("Rio Algom")	5,630,819	68.1%
Teck Corporation Vancouver, B.C. ("Teck")	1,820,200	22.0%

Election of Directors

Directors are to be elected at the Meeting to serve until the next Annual General Meeting of Shareholders or until their successors are elected or appointed. **The persons named in the enclosed form of proxy intend to vote for the election of the proposed nominees whose names are set out below. Although management does not contemplate that any of the nominees named below will be unavailable for election, in the event of any vacancies among these nominees, the persons named in the enclosed form of proxy intend to vote in favor of the election of the remaining nominees.**

Advance notice of the Annual General Meeting of the Shareholders as required by Section 135 of the Company Act (British Columbia), was published in The Province on February 22, 1985.

Exercise of Discretion of Proxies

The persons named in the enclosed form of proxy will, on any poll, vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such shares will be voted in favour of the matters to be dealt with at the Meeting and set forth in the accompanying notice of the Meeting.** The shares represented by the enclosed form of proxy if the same is executed in favour of the management nominees and delivered to The National Victoria & Grey Trust Company, 900 Park Place Tower, 666 Burrard Street, Vancouver, British Columbia, V6C 9Z9, by 10:00 o'clock in the forenoon (Vancouver time) on Wednesday, April 17, 1985 will be voted. Where a choice is specified, the shares will be voted in accordance with the specification made. **In the absence of any specification, the shares represented by the enclosed form of proxy will be voted in favour of the matters to be dealt with at the Meeting as set forth in the accompanying notice of the Meeting.**

If you appoint a proxy other than those persons named in the enclosed form of proxy, the management of the Corporation assumes no responsibility in respect of whether or not such proxy votes your shares in accordance with your instructions.

Other Business

The management does not know of any other matters that may come before the Meeting. It should be noted, however, that the enclosed form of proxy is a discretionary proxy and if any other matter should properly come before the Meeting the shares represented by the enclosed form of proxy will be voted by Mr. George R. Albino or Mr. Ray W. Ballmer, the management nominees, upon such other matters in accordance with the best judgment of such management nominees.

By Order of the Board of Directors

C. William M. Burge
Secretary

Vancouver, B.C.
March 4, 1985

Nominees for election as directors

Name and principal occupation of nominees	Period of directorship extends from year below to date hereof	Shares owned beneficially as at February 20, 1985	Country in which ordinarily resident
*George R. Albino, Mississauga, Ontario, is Chairman and Chief Executive Officer of Rio Algom and Chairman and Chief Executive Officer of Lornex	1966	1,000	Canada
Ray W. Ballmer, Toronto, Ontario, is President and Chief Operating Officer of Rio Algom and President and Chief Operating Officer of Lornex	1982	—	Canada
*Thomas A. Buell, Vancouver, B.C., is Chairman of the Board, President and Chief Executive Officer of Weldwood of Canada Limited	1981	—	Canada
Akira Fujisaki, Tokyo, Japan, is Chairman of the Board of Sumitomo Metal Mining Co., Ltd.	1977	10	Japan
Robert E. Hallbauer, West Vancouver, B.C., is Senior Vice-President of Teck	1979	—	Canada
Lorne H. Hunter, North Delta, B.C., is Vice-President, Western Mining Operations of Rio Algom and Vice-President of Lornex	1979	—	Canada
Norman B. Keevil, Jr., Vancouver, B.C., is President and Chief Executive Officer of Teck	1979	—	Canada
*David S. R. Leighton, Canmore, Alberta, is Vice-Chairman of the Board, Nabisco Brands Ltd.	1978	—	Canada
Alan F. Lowell, Etobicoke, Ontario, is Vice-President, Minerals Marketing of Rio Algom	1972(1)	—	Canada
Herbert A. Pakrul, Mississauga, Ontario, is a Vice-President of Rio Algom	1977	—	Canada
*John H. Spicer, Kelowna, B.C., is a Consultant	1981	—	Canada
David A. Thompson, West Vancouver, B.C., is Vice-President, Finance of Teck	1982	—	Canada

* Members of the Audit Committee of Lornex.

(1) Except for the period September 8, 1976 through April 21, 1977.

Remuneration

The aggregate direct remuneration paid or payable by the Corporation to Directors and Senior Officers of the Corporation during the year 1984 was \$574,427.

Lornex has no pension or retirement plans involving any direct or indirect payments to Directors as such nor any direct payments to Senior Officers as such. The aggregate cost to Lornex during the year ended December 31, 1984 of all pension benefits proposed to be paid to Senior Officers of Lornex by Rio Algom under its Salaried Employees Pension Plan and in respect of additional benefits on retirement at age 65 was \$56,912.

At December 31, 1984, Mr. H. J. Anderson, a Senior Officer of the Corporation, was indebted to the Corporation in respect of a non-interest bearing housing loan of \$32,903. The largest amount of such loan outstanding during 1984 was \$37,907.

Management Contract

Management and direction of the development of the mining properties owned by the Corporation is carried on by Rio Algom pursuant to the provisions of the Construction and Management Agreement dated as of December 1, 1969 between the Corporation and Rio Algom. Pursuant to that agreement, as amended, certain of Rio Algom's officers and fulltime employees assist and advise the Corporation without remuneration from the Corporation. In addition, Rio Algom is responsible for the hiring for the Corporation's account of the necessary fulltime supervisory and management personnel and makes available to the Corporation, at the Corporation's expense, Rio Algom's head office marketing, engineering, planning, administrative and other technical and financial services.

The Corporation agreed to pay Rio Algom a management fee which was at the minimum level of \$250,000 for the year ended December 31, 1984. In addition, Rio Algom was reimbursed by the Corporation for certain services provided, independent consulting services rendered, material, equipment, supplies and rentals provided and overhead incurred amounting in total during the year ended December 31, 1984 to \$1,493,654.

Rio Algom holds 5,630,819 Lornex common shares representing 68.1% of Lornex's outstanding common shares. The only holder, to the knowledge of Rio Algom, of 10% or more of the voting rights attached to all common shares of Rio Algom as of February 20, 1985 was Tinto Holdings Canada Limited ("Tinto Holdings"), Suite 2600, 120 Adelaide Street West, Toronto, Ontario, holding, directly and through affiliates, 22,506,336 Rio Algom common shares representing 52.78% of that corporation's outstanding common shares. Tinto Holdings is an indirect wholly-owned subsidiary of The Rio Tinto-Zinc Corporation PLC, 6 St. James's Square, London, SW1Y 4LD, England, a publicly held English company.

Material Transaction

In addition to the transactions described under the heading Management Contract the following is the only material transaction (or proposed material transaction to be entered into) of the Corporation since January 1, 1984 in which (i) any Director or Senior Officer of the Corporation; (ii) any proposed nominee for election as a Director of the Corporation; (iii) any person or company beneficially owning, directly or indirectly, more than 10% of the common shares of the Corporation; and (iv) any associate or affiliate of the foregoing had a direct or indirect material interest:

Lornex (39%), Teck (51%) and Nissho Iwai Coal Development (Canada) Ltd. (10%) are joint venturers in the Bullmoose metallurgical coal mine in northeastern British Columbia. Under this joint venture agreement, Lornex paid a management fee of \$405,000 to Teck as manager in 1984.

Auditors

The firm of Coopers & Lybrand, Chartered Accountants, was first appointed Auditors of the Corporation by the shareholders of the Corporation in 1967. **It is intended that proxies which are received pursuant to this solicitation will be voted for the appointment of Coopers & Lybrand, Chartered Accountants, as Auditors of the Corporation, to hold such office until the next Annual General Meeting of the Corporation at a remuneration to be fixed by the Directors.**

Appointment and Revocation of Proxies

Each shareholder has the right to designate as his proxy a person (who need not be a shareholder of the Corporation) other than Mr. George R. Albino or Mr. Ray W. Ballmer, the management nominees, to attend and act for such shareholder at the Meeting. Any shareholder desiring to exercise such right may do so by striking out the names of the management nominees in the enclosed form of proxy and inserting in the space provided the name of the person so appointed as his proxy, or by executing a separate proxy in form similar to the enclosed form.

Under the provisions of Section 175(8) of the Company Act (British Columbia), a shareholder giving a proxy has power to revoke it by instrument in writing delivered to the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or to the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof.

